



Bayer AG
Communications
51368 Leverkusen
Germany
Phone +49 214 30-1
media.bayer.com

News Release

Capital Markets Day 2021:

Bayer expects dynamic growth with higher profitability in the coming years and is accelerating its transformation

- Crop Science: Clear innovation leader in its industry – expected sales and earnings growth above market
- Pharmaceuticals: Further growth planned through 2023, new products expected to largely offset the effect of patent expirations – position in cell and gene therapy to be expanded
- Consumer Health: Moved from industry underperformer to outperformer – further sales and earnings improvements planned
- Core earnings per share anticipated to increase to 7.00 to 7.50 euros by 2024
- Further operational improvements to raise free cash flow to 5 billion euros by 2024
- Bayer in an excellent position to benefit from the biorevolution in health and nutrition

Leverkusen, March 10, 2021 – Bayer is setting its course for the future with a clear plan of action. The company is taking steps aimed at strengthening sales growth, profitability and free cash flow. Speaking at the virtual Capital Markets Day on Wednesday, CEO Werner Baumann emphasized Bayer’s long-term growth perspectives: “Bayer is a leading life science company, uniquely positioned at the intersection of health and nutrition – with attractive prospects for growth, earnings and cash flow.” All three divisions are projected to contribute to the company’s success in the coming years, Baumann said. “At Crop Science we’re targeting above-market growth from 2022. We’re also aiming for above-market growth at Consumer Health. And at Pharmaceuticals, we are seeing success in our late-stage pipeline and are very well positioned with the investments we are making in our future. We plan to continue to grow at Pharmaceuticals despite patent expirations and only expect to register a modest decline in sales in 2024,” he said.

Baumann cited three drivers for growing the business and increasing enterprise value. First, innovations in the life sciences are in greater demand than ever before – thanks to long-term megatrends such as the growing and aging world population and the increasing need for more sustainable economic development. Second, the biorevolution is driving innovation in all of Bayer’s divisions – with major progress in cell biology, gene editing and data science. And third, the company is accelerating its transformation and further increasing efficiency.

Societal megatrends and the advancing biorevolution are increasing the dynamics of the markets in which Bayer operates. “In the pharmaceutical sector, new technologies could help us not only to treat but probably cure or even prevent diseases,” Baumann said. New opportunities are also arising in agriculture. “New crop varieties that will decrease the plant’s need for fertilizer, crop protection or water will reduce the environmental impact of agriculture – while at the same time increasing yields,” he said. In addition, new business models are being pioneered, with farmers paying for achieved results rather than individual products and being incentivized for sustainable practices, such as sequestering carbon into the soil. “We are in an excellent position to take advantage of the opportunities these dynamics present – for the benefit of the people who use our products and, through sustainable growth, for the benefit of our stockholders,” said Baumann.

Sustainability forms an integral part of Bayer’s business strategy, growth plans and incentive systems, Baumann stressed, citing as an example the company’s decision to become carbon-neutral by 2030.

Bayer is also displaying its sense of responsibility during the COVID-19 crisis, applying its knowledge and resources to help in tackling the virus – in line with the company’s vision “Health for all, Hunger for none.” This includes its collaboration with CureVac, with Bayer assisting the company with the ongoing development, manufacture and supply of its COVID-19 vaccine.

Speeding up sales growth

Sales growth at Bayer is planned to regain momentum in 2021 and further accelerate in the years thereafter. By 2024, net sales are planned to reach 43 to 45 billion euros. The Crop Science Division is projected to grow at a currency- and portfolio-adjusted (Fx & portfolio adj.) rate of 3 to 5 percent annually from 2022 through 2024, and thus faster than

the market. “We have made strong progress in digital farming and with the regulatory approvals recently received for corn, soybeans and cotton. Both these aspects will help us accelerate growth going forward,” Baumann explained.

These new approvals will enable an upgrading of soybean technology in the Americas with the launches of XtendFlex™ soybeans combined with the crop protection product XtendiMax™ in North America and Intacta2Xtend™ soybeans in Latin America. In addition, strong growth is expected from the crop protection portfolio, with eight new formulations every year. Beyond 2021 numerous product introductions are planned, including several hundred new corn, soybean and vegetable varieties each year. The Crop Science pipeline contains groundbreaking innovations such as short-stature corn, soybeans that are tolerant to five different herbicides, and the industry’s first candidate for a new post-emergence total herbicide in 30 years. Moreover, Crop Science has achieved a leading position with its FieldView™ digital farming platform. The system now has a penetration of 150 million acres and is continuing to grow rapidly. “Crop Science is the clear industry leader in innovation. More than any other company, we are pioneering digital transformation and sustainability in agriculture,” said Baumann.

The Pharmaceuticals Division is also expected to post robust annual sales growth of 3 to 5 percent (Fx & portfolio adj.) through 2023. In 2024, Bayer anticipates a low- to mid-single digit percentage decline in this division’s sales due to the patent expirations for its established blockbuster products Xarelto™ and Eylea™, with Pharmaceuticals set to return to sustainable growth in 2025.

In addition to further strengthening its U.S. business and expanding its leading position in China, the Pharmaceuticals Division is focused on enhancing its innovation capabilities and continuing to develop its research pipeline. “We are well under way with the market introduction of our promising late-stage pipeline assets,” said Baumann. These include, in particular, the cancer drug Nubeqa™, the cardiovascular drugs vericiguat (marketed in the United States under the brand name Verquvo™) and finerenone, and elinzanetant for the non-hormonal treatment of frequent symptoms of the menopause.

Bayer is also making substantial progress in strengthening its innovation capabilities by establishing a leading position in cell and gene therapy and pursuing bolt-on acquisitions, partnerships and licensing agreements. Last year alone, the company concluded more than 25 collaboration and licensing agreements and acquisitions in its Pharmaceuticals

Division. One example is the acquisition of Asklepios BioPharmaceutical (AskBio), a leading company in the field of gene therapy.

Bayer was recently able to announce promising initial results achieved by its subsidiary BlueRock Therapeutics. “We have begun clinical trials with a new therapeutic approach for Parkinson’s, a neurological disorder, that could hopefully pave the way for major advances in the battle against this debilitating illness – this represents a major step forward for the entire field of stem cell therapy,” Baumann said.

Sales at Consumer Health are also projected to increase by 3 to 5 percent (Fx & portfolio adj.) annually, with the division set to gain further market share. “The primary goal now for Consumer Health is to consolidate the substantial growth and margin improvements seen over the past 18 months. Our focus is now on sustainable, profitable above-market growth at the top of our industry,” Baumann explained. Growth is to be driven by leading innovation and strong brands, a further digitalization of the business, and potentially also by bolt-on acquisitions.

Bright prospects for earnings – clear priorities for capital allocation

The divisions show attractive mid-term earnings perspectives. Crop Science is planned to achieve an EBITDA margin before special items of between 27 and 29 percent by 2024 on the back of further efficiency improvements. In light of increased R&D investment, the Pharmaceuticals Division is expected to achieve an EBITDA margin before special items of 32 to 34 percent through 2023. Its margin is projected to remain above 30 percent even in 2024 despite the effect of the patent expirations. For Consumer Health, Bayer anticipates to further increase the EBITDA margin before special items toward a mid-twenties percentage.

In addition to the planned growth, the efficiency program announced in September 2020 will also help strengthen the company’s earning power. “We aim to become an even simpler, leaner and more flexible company,” CFO Wolfgang Nickl explained. “In doing so, we are freeing up additional resources to invest in innovation and growth, enabling us to further strengthen profitability.” The program is expected to deliver annual savings of more than 1.5 billion euros from 2024.

Core earnings per share for the Bayer Group are anticipated to come in at between 7.00 and 7.50 euros in 2024 based on constant currencies. The free cash flow is set to grow to around five billion euros by 2024. This takes into account disbursements of about one billion euros for special charges.

As Nickl explained, Bayer has set clear priorities for capital allocation. “First, we will focus on deleveraging our balance sheet after the anticipated litigation payouts. Second, a significant portion of our capital is to be used for dividends. We will maintain our dividend policy and plan to pay out 30 to 40 percent of core earnings per share. Further resources are to be invested in bolt-on acquisitions, especially at Pharmaceuticals and Consumer Health.” Net financial debt is projected to drop to between 28 and 30 billion euros by the end of 2024 – disregarding potential divestment proceeds.

About Bayer

Bayer is a global enterprise with core competencies in the life science fields of health care and nutrition. Its products and services are designed to help people and planet thrive by supporting efforts to master the major challenges presented by a growing and aging global population. Bayer is committed to drive sustainable development and generate a positive impact with its businesses. At the same time, the Group aims to increase its earning power and create value through innovation and growth. The Bayer brand stands for trust, reliability and quality throughout the world. In fiscal 2020, the Group employed around 100,000 people and had sales of 41.4 billion euros. R&D expenses before special items amounted to 4.9 billion euros. For more information, go to www.bayer.com.

Note:

Further information is available on the internet at www.bayer.com/live-ic:

- Presentation materials for both days
- on March 10 and 11, 2021, from approx. 2:00 - 5:00 p.m. CET respectively: Live audio stream of the presentations including discussions
- from March 12, 2021: Video recordings and transcripts of the presentations and discussions

Contact for media inquiries:

Christian Hartel, phone +49 214 30-47686

Email: christian.hartel@bayer.com

Dr. Rolf Ackermann, phone +49 214 30-41782

Email: rolf.ackermann@bayer.com

Tino Andresen, phone +49 214 30-66048

Email: tino.andresen@bayer.com

Contact for investor inquiries:

Bayer Investor Relations Team, phone +49 214 30-72704

Email: ir@bayer.com

www.bayer.com/en/investors/ir-team

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Forward-Looking Statements

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